

Decision 06-10-016 October 5, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Sierra Pacific Power Company for Authority to Update its Energy Cost Adjustment Clause Billing Factors Effective September 1, 2006. (U 903 E)

Application 06-04-002
(Filed April 3, 2006)

**OPINION APPROVING SIERRA PACIFIC POWER COMPANY'S
APPLICATION FOR AUTHORITY TO UPDATE ITS
ENERGY COST ADJUSTMENT CLAUSE BILLING FACTORS**

Summary

This decision approves Sierra Pacific Company's (Sierra) Application (A.) 06-04-002 to update its energy cost adjustment clause (ECAC) billing factors and recover projected fuel and purchased power costs. The approved change in ECAC billing factors will increase annual revenues by approximately \$11.2 million, or 17.4%. The purpose of the proposed increase is to recover:

- (1) an ECAC balancing account undercollection (as of August 31, 2006), and
- (2) actual and forecasted fuel and purchased power costs for the period ending August 31, 2007. This will not increase the company's net operating income, but will simply allow it to recover fuel and purchased power costs on a dollar-for-dollar basis. This proceeding is closed.

Procedural Summary

In Resolution ALJ 176-3170, dated April 13, 2006, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary.

A prehearing conference was held on May 11, 2006, during which the Division of Ratepayer Advocates (DRA) and Sierra reached agreement on a schedule for this proceeding, including dates for evidentiary hearing. Thereafter, by letter dated August 16, 2006, DRA informed the Administrative Law Judge (ALJ) that it had completed review of Sierra's ECAC application. DRA stated that it found no issues that need to be addressed in a hearing; therefore, DRA had no objection to the Commission approving Sierra's application. On August 21, 2006, there being no need for evidentiary hearing, the ALJ issued a ruling submitting the application for decision on the pleadings.

Background

The Commission suspended the ECAC mechanism for Sierra on June 1, 1996, in accordance with Decision (D.) 96-05-059. On January 8, 2004, the Commission issued D.04-01-027 reinstituting the ECAC for Sierra. Accordingly, Sierra filed Advice Letter (AL) No. 304-E (effective January 16, 2004) to re-establish the offset rate and ECAC Preliminary Statement. The ECAC provisions call for an annual filing on April 1 for rate revisions to take place on September 1. The ECAC billing factor is made up of an offset rate and a balancing rate. A request for a change in the offset rate is to be made only if the forecast fuel and purchase power costs are expected to change by +/-5%. Likewise, a request for a change in the balancing rate is to be made only if the change in the balance exceeds 5%.

Sierra's first filing in May of 2004 requested an increase of 14.8%, which was adopted by the Commission in D.04-11-018. The second filing, due April 1, 2005, was not made since the above described parameters had not been met.

The instant filing requests an overall increase of 17.54% to become effective September 1, 2006. It also includes a factor for the carrying charge of fuel inventories, resulting from a settlement in Sierra's last general rate case (GRC) in Application (A.) 05-06-018.

Rate Relief Requested

Sierra's proposed average offset rate of \$.07033 per kilowatt-hour (kWh) based on the fuel and purchased power operations forecast for the 12 months ending August 31, 2007 results in an increase of \$10,066,000, or 15.75%, when compared to the current average offset rate of \$.05188 per kWh authorized in D.04-11-018.

Sierra's current offset rate results in an under-collection in the ECAC balancing account on August 31, 2006. Sierra proposes to amortize this balance over two years for this filing in order to mitigate the size of this proposed increase, via a balancing rate of \$.00982 per kWh. The proposed increase of the offset rate and establishment of the balancing rate results in an overall increase of \$11,212,000 or 17.54%. The impact of the proposed ECACBF for each rate class is shown in the application Table 1-1, page 1. If Sierra had not proposed mitigation to the balancing rate, the overall proposed increase would have been \$16,553,000 or 25.9%.

Discussion

DRA audited Sierra's recorded balancing account entries covering the period from January 2004 through March 2006. Also, DRA reviewed Sierra's forecasts, cost allocation and rate design and found no issues that need to be addressed in hearing. There being no disputed issues, we conclude that Sierra's application should be approved.

Waiver of Comment Period

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) of the Public Utilities Code and Rule 14.6 (c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

John A. Bohn is the Assigned Commissioner and Bertram D. Patrick is the assigned ALJ in this proceeding.

Findings of Fact

1. Sierra's current offset rate results in an under-collection in the ECAC balancing account on August 31, 2006.
2. Sierra proposes to amortize this balance over two years in order to mitigate the size of this proposed increase, via a balancing rate of \$.00982 per kWh.
3. The proposed increase of the offset rate and establishment of the balancing rate results in an overall increase of \$11,212,000 or 17.54%.
4. If Sierra had not proposed mitigation to the balancing rate, the overall proposed increase would have been \$16,553,000 or 25.9%.
5. DRA audited Sierra's recorded balancing account entries covering the period from January 2004 through March 2006. Also, DRA reviewed Sierra's forecasts, cost allocation and rate design and found no issues that need to be addressed in hearing.

Conclusions of Law

1. Sierra's proposal to amortize the ECAC account under-collection over two years, and thereby reduce the overall increase from \$16,553,000 or 25.9% to \$11,212,000 or 17.54%, is reasonable and should be adopted.
2. Sierra's application to update its ECAC billing factors should be adopted.

3. Since there are no disputed issues, there is no need for an evidentiary hearing.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company shall file new tariffs within 14 days of the date of this order reflecting the revised Energy Cost Billing Factors as set forth in its application.

2. The new tariffs shall become effective on the first day of the month following the date of this order, subject to Energy Division's determination that the tariffs are in compliance with their decision.

3. No hearing is necessary in this proceeding.

4. Application 06-04-002 is closed.

This order is effective today.

Dated October 5, 2006, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners